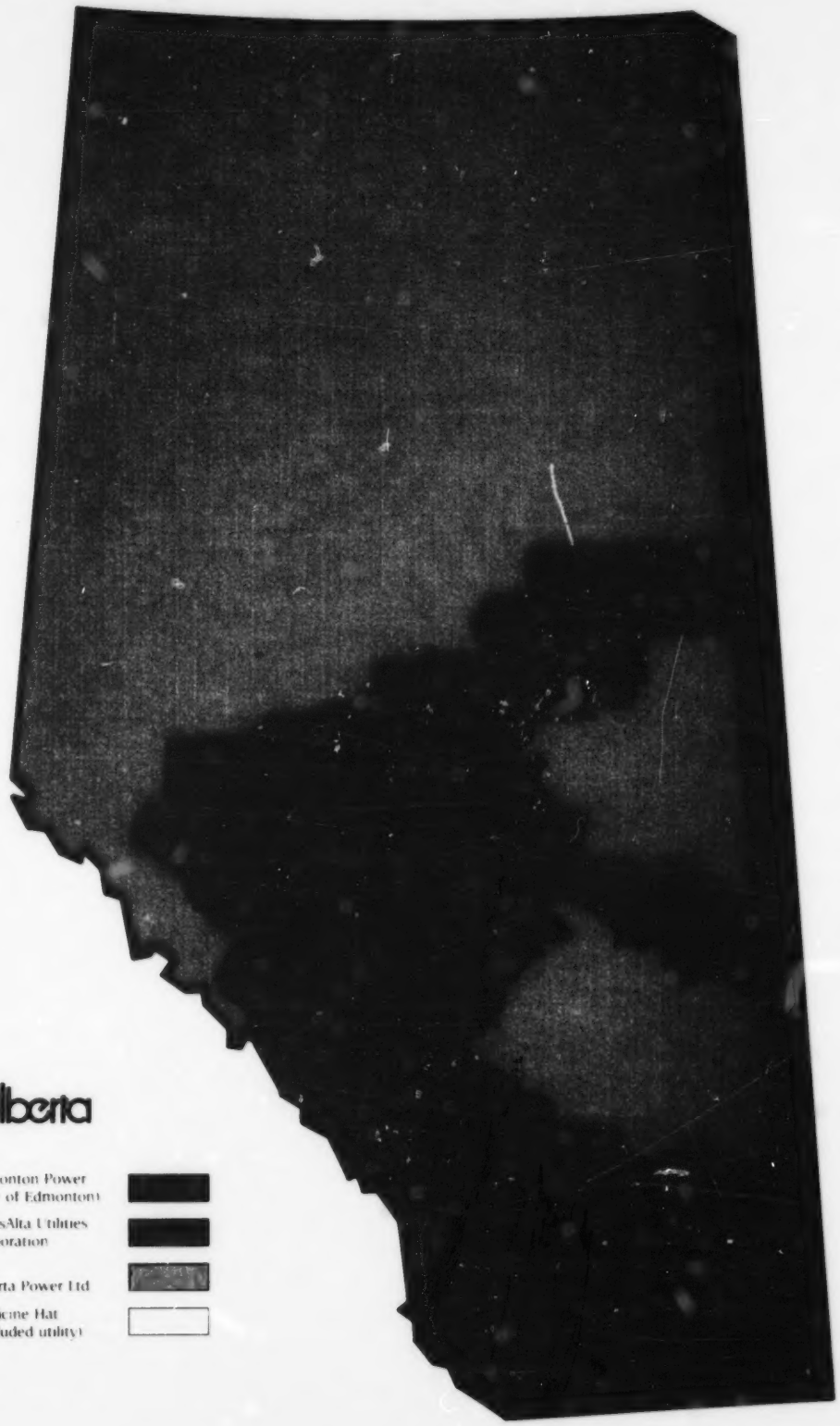
ALBERTA
ELECTRIC
ENERGY
MARKETING
AGENCY

# ANNUAL REPORT

# 1989-90

# Electric Utility Franchise Areas



# ALBERTA ELECTRIC ENERGY MARKETING AGENCY*

*Operated under the jurisdiction of the Department of Energy

Honourable Rick Orman
Minister

Fred J. Dumont, O.C.
Chairman

# ANNUAL REPORT

# 1989-90

90-06344/1

Alberta
ENERGY

Office of the Minister

228 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-3740

The Honourable Dr. David J. Carter
Speaker, Legislative Assembly of Alberta

Sir:

It is my pleasure to submit the Annual Report of the Alberta Electric Energy Marketing Agency for the year ended March 31, 1990.

Respectfully submitted,

Rick Orman
Minister of Energy

ALBERTA
ELECTRIC
ENERGY
MARKETING
AGENCY

*OFFICES OF THE CHAIRMAN*

Suite 700, Princeton Place 403/422-1722
10339 - 124 Street, Edmonton, Alberta T5N 3W1

Woodward Tower 403/381-5384
400 - 4th Avenue, Lethbridge, Alberta T1J 4E1

The Honourable Rick Orman
Minister of Energy

Sir:

It is with pleasure that I submit a report covering the operations of the Alberta Electric Energy Marketing Agency for the fiscal year ended March 31, 1990.

Yours respectfully,

Fred J. Dumont, O.C.
Chairman

AN AGENCY OF THE GOVERNMENT OF ALBERTA

# Contents


Tabling Letter from the Minister (i)
Letter of Submittal from Chairman (iii)

**Agency Operations**
Preface 1
Mandate 3
Pooling Process 3
Shielding 5
Summary 5

**Financial Statements**
Auditor's Report 9
Balance Sheet 10
Statement of Revenue and Expenditure 10
Statement of Capital Surplus 11
Notes to the Financial Statements 11
Schedule of Operating Expenses 12

**Tables**
1. Alberta Electric Energy Marketing Agency
Purchase of Electric Energy from Utilities
For the Year Ended March 31, 1990 (After Income Tax Rebate) 1
2. Alberta Electric Energy Marketing Agency
Energy Purchased from Utilities
For the Year Ended March 31, 1990 (in GW.h) 2
3. Costs of Administration of Agency
To March 31 of each year 3
4. Pooling Compensation to Cities Which Own In-Boundary
Transmission Facilities 4
5. Alberta Electric Energy Marketing Agency
Transfer Payments To/From Utility Companies Including
Reimbursement to the Cities
For the Year Ended March 31, 1990 4
6. Alberta Electric Energy Marketing Agency
Shielding to Utility Companies
For the Year Ended March 31, 1990 5
7. Canada-Wide Comparison of Residential Electric Bills
For 600 kWh as of May l, 1989 6
8. Provincial Shielding Payments
1982 to March 31, 1990 by Calendar Year 7
9. Transfer Payments To/From Utility Companies
Including Reimbursement to the Cities
1982 to March 31, 1990 by Calendar Year (Net) 7
10. Summary of Pooling Benefits
1982 to March 31, 1990 by Calendar Year 8

**Figures**
1. Purchase of Electric Energy by AEEMA from Utilities
($ Millions) After Income Tax Rebate 2
2. Purchase of Electric Energy by AEEMA from Utilities (GW.h) 2
3. Comparison of Utility Consumer Mix 4
4. Comparisons of Average Residential/Farm
Consumer Bills per kWh 5
5. Comparisons of General Service and Large
Industrial Consumer Rates 6

## Preface

The Alberta Electric Energy Marketing Agency (AEEMA) is an administrative body, established in 1982 under the authority of the Electric Energy Marketing Act, Chapter E-4.1, Statutes of Alberta, 1981. The Agency manages the purchasing and selling of the electricity produced by the province's three large franchised generators of electricity, namely: Alberta Power Ltd., the City of Edmonton (Edmonton Power), and TransAlta Utilities Corporation, herein referred to as "the utilities". **The price is set by the Public Utilities Board based only on the costs of generation and transmission incurred by the utilities.** The Agency pools these costs and resells the electricity to these same utilities at a levelized price.

The Agency also administered a price shielding program from the commencement of Agency operations in September 1982 until the end of May 1989. Designed as a five-year program, shielding was extended briefly on two occasions.

The work of the Agency is very focussed on the concept of levelization and is not involved in setting final rates to consumers. Consumer rates continue to be set by those Municipal Governments which operate their own distribution systems. As well, the investor-owned franchised utilities that retail electricity to their direct customers continue to apply the rates set by the Public Utilities Board (PUB).

For purposes of the Utility Companies Income Tax Rebates Act only, the Agency has been designated as a customer of the three generating utilities. Under the Utility Companies Income Tax Rebates Regulation, the provincial rebate for the Agency is the total of the provincial payment passed on by the utilities to the Agency. Therefore, in Alberta, 95 percent of the federal income tax paid by the utilities and 100 percent of the provincial income tax was flowed back to the utilities for the benefit of their customers. In the March 22, 1990 Provincial Budget Address a decision was taken by the provincial government to cease rebating provincial corporate income taxes paid by privately owned utilities effective for their 1990 tax year. At the same time, it was announced that the rebate of federal corporate income taxes to utility customers would continue to be administered by the Provincial Treasurer.

The purpose of this report is to inform the general public of the transactions that have taken place during the fiscal year April 1, 1989 to March 31, 1990, as well as to satisfy the requirements of the Electric Energy Marketing Act, Chapter E-4.1, Part I, Section 8. The report includes AEEMA's audited financial statements called for under Section 77 of the Financial Administration Act, and other information required by the Lieutenant Governor in Council.

Worthy of note is the fact that the Agency's total cost of purchasing slightly more than 35 billion kWh of electric power from the utilities was just over one billion dollars. The costs and amounts of purchases from each utility are shown in Tables 1 and 2 and Figures 1 and 2.

TABLE 1

**Alberta Electric Energy Marketing Agency Purchase of Electric Energy from Utilities**

For the Year Ended March 31, 1990 (After Income Tax Rebate)

| | Alberta Power Ltd. | Edmonton Power | TransAlta Utilities | Cities[a] | Total |
|---|---|---|---|---|---|
| April 1989 | $ 24 152 667 | $ 11 203 369 | $ 44 927 250 | $ 2 546 358 | $ 82 829 644 |
| May 1989 | 24 152 667 | 11 203 369 | 44 927 250 | 2 546 358 | 82 829 644 |
| June 1989 | 24 152 667 | 11 203 369 | 44 927 250 | 2 546 358 | 82 829 644 |
| July 1989 | 24 152 667 | 11 203 369 | 44 927 250 | 2 546 358 | 82 829 644 |
| August 1989 | 24 152 667 | 11 203 369 | 44 927 250 | 2 546 358 | 82 829 644 |
| September 1989 | 24 152 667 | 11 203 369 | 44 927 250 | 2 546 358 | 82 829 644 |
| October 1989 | 24 152 667 | 11 203 369 | 44 927 250 | 2 546 358 | 82 829 644 |
| November 1989 | 24 152 667 | 11 203 369 | 44 927 250 | 2 546 358 | 82 829 644 |
| December 1989 | 24 152 663 | 11 203 379 | 44 927 250 | 2 546 358 | 82 829 650 |
| January 1990 | 25 672 251 | 17 992 761 | 55 123 334 | 2 618 941 | 101 407 287 |
| February 1990 | 25 672 251 | 17 992 761 | 55 123 334 | 2 618 941 | 101 407 287 |
| March 1990 | 25 672 251 | 17 992 761 | 55 123 334 | 2 618 941 | 101 407 287 |
| TOTAL | $ 294 390 732 | $ 154 808 614 | $ 569 715 252 | $ 30 774 045 | $ 1 049 688 663[b] |

*[a] These figures represent the value of cities compensation in the transfer pool as addressed in the General Regulation Section 15.*

*[b] This total is a gross total. The net total is $1,009,541,912, which includes adjustments made for April to December 1987 further to PUB Order E88080 dated December 23, 1988, and adjustments made for January to March 1989 further to PUB Order E89115 dated December 29, 1989.*

**FIGURE 1**
**Purchase of Electric Energy**
By AEEMA From Utilities by Month

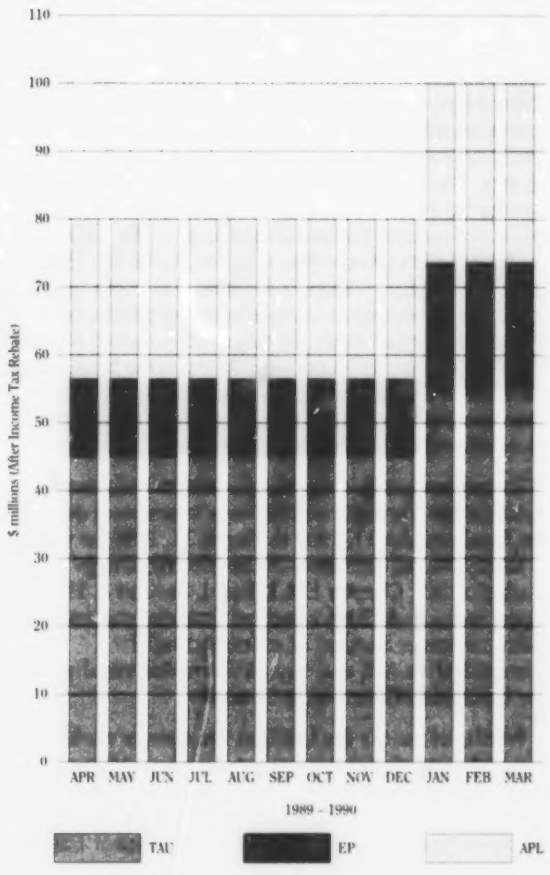



**FIGURE 2**
**Purchase of Electric Energy**
by AEEMA From Utilities by Month

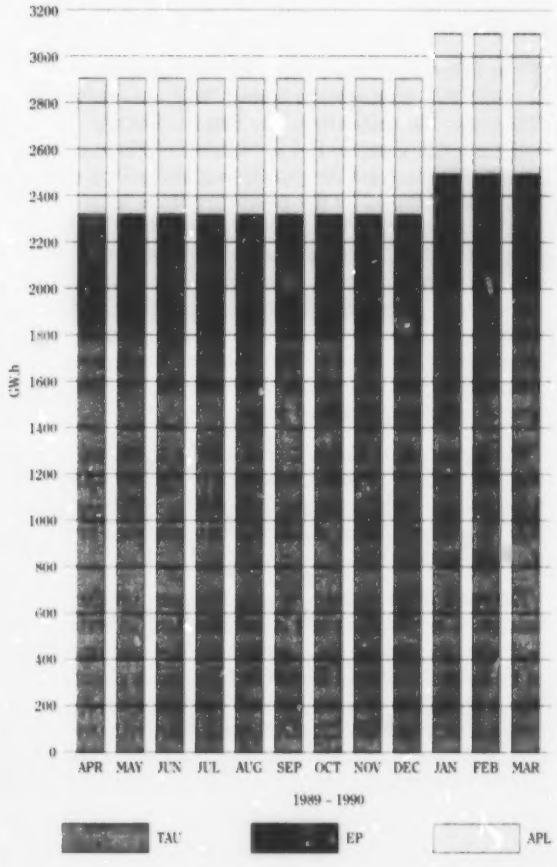



TABLE 2

**Alberta Electric Energy Marketing Agency Energy Purchased from Utilities**
For the Year Ended March 31, 1990 (in GW.h)[a]

| | Alberta Power Ltd. | Edmonton Power | TransAlta Utilities | Total |
|---|---|---|---|---|
| April 1989 | 542.2433 | 490.4598 | 1 856.1667 | 2 888.8698 |
| May 1989 | 542.2433 | 490.4598 | 1 856.1667 | 2 888.8698 |
| June 1989 | 542.2433 | 490.4598 | 1 856.1667 | 2 888.8698 |
| July 1989 | 542.2433 | 490.4598 | 1 856.1667 | 2 888.8698 |
| August 1989 | 542.2433 | 490.4598 | 1 856.1667 | 2 888.8698 |
| September 1989 | 542.2433 | 490.4598 | 1 856.1667 | 2 888.8698 |
| October 1989 | 542.2433 | 490.4598 | 1 856.1667 | 2 888.8698 |
| November 1989 | 542.2433 | 490.4598 | 1 856.1667 | 2 888.8698 |
| December 1989 | 542.2433 | 490.4598 | 1 856.1667 | 2 888.8698 |
| January 1990 | 588.3893 | 511.0308 | 2 003.4628 | 3 102.8829 |
| February 1990 | 588.3893 | 511.0308 | 2 003.4628 | 3 102.8829 |
| March 1990 | 588.3893 | 511.0308 | 2 003.4628 | 3 102.8829 |
| TOTAL | 6 645.3576 | 5 947.2306 | 22 715.8887 | 35 308.4769 |

[a] *GW.h (gigawatt hour) – a unit of measurement of electricity equivalent to 1 million kilowatt hours.*

*NOTE: This table reflects numbers from PUB Orders for the years 1989 and 1990.*

The costs to the utilities of generating and transmitting the electricity were blended (pooled) by the Agency and the electric power was sold to the utilities at a levelized price for each consumer group. This procedure is discussed in greater detail in the section on pooling in this report. As part of the same process the Cities of Calgary, Lethbridge and Red Deer were reimbursed for transmission line costs which the cities own, including compensation for energy and demand charge losses. Table 1 shows that the three cities received a combined total rounded amount of 30.7 million dollars. As the City of Medicine Hat owns and operates its natural gas and electric power systems, it has been an excluded franchised utility since the establishment of AEEMA.

The Agency's offices are located in Edmonton and Lethbridge. Both perform administrative and reception functions, as well as serving as offices of the Chairman.

Costs incurred in the administration of the Agency are borne by the General Revenue Fund. The total yearly operating expenses are shown in Table 3. While the recorded yearly expenses have increased slightly, in fact the increase largely results from salary settlements including the implementation of the administrative support classes.

In January, 1990 Ministerial responsibility for the Agency was transferred to the Honourable Rick Orman, Minister of Energy.

Fred J. Dumont has been the Chairman since July 2, 1987.

TABLE 3

Costs of Administration of Agency
To March 31 of each year

| 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|
| $ 309 097 | $ 466 364 | $ 412 584 | $ 355 506 | $ 322 952 | $ 305 590 | $ 320 343 | $ 340 870[a] |

[a] *Refer to Schedule 1 in the FINANCIAL STATEMENTS*

## Mandate

Since its establishment in 1982 the Agency's sole objective has been to reduce regional electrical rate disparities by equalizing generation and transmission (upstream) costs province-wide. The mechanism used to effect this reduction in rate differences across the province is structured to take advantage of the economies of scale which would result from having a single generation and transmission system for the province. This is accomplished by averaging the upstream costs of all franchised generating and transmission systems, except the one owned by the City of Medicine Hat. At the same time, this mechanism allows for competition among the utilities which results in higher efficiency while maintaining the independence and integrity of the province's system of investor- and municipal government-owned generating utilities. The mechanism also leaves in place the process of rate-setting by the Public Utilities Board and Municipal Councils, both of which provide for public input and local autonomy.

## Pooling Process

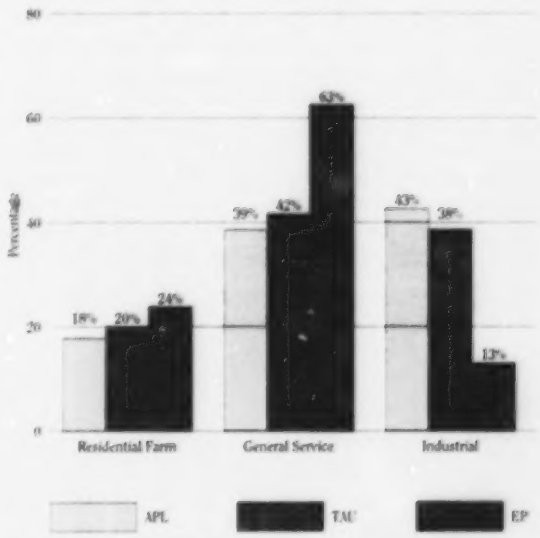
Pooling (averaging or blending) of costs associated with generation and transmission of electricity (wholesale level) by the utilities accomplishes two major goals. First, pooling results in levelization of electric energy generation and transmission costs province-wide. These costs make up 80 percent of what the retail customer pays for power. The second goal establishes the need for a great degree of cooperation and communication among utilities in order to make the single generation and transmission concept work, which in turn has led to a relatively high degree of economic dispatch within these systems.

The determination of the blended cost of electric energy to the point where distribution by the utilities takes place, is the Agency's key administrative task. The first step is the applications to the Public Utilities Board (PUB) by the utilities to fix the price at which each utility will sell electricity to the Agency. Using the PUB decisions taken on these applications, the Agency pools these numbers to arrive at a pooled cost. This is the cost that the three utilities have to pay to buy back the electricity. The pooling and re-sale figures are determined for the three consumer groups, namely: Residential, General Services, and Large Industrial as defined in the general regulation. A comparison of consumer mix for each utility is shown in Figure 3.

As part of the pooling process the Cities of Calgary, Lethbridge and Red Deer are reimbursed for the transmission line which they own to the point where pooled power is purchased. Table 4 shows comparative dollar amounts paid to each city for the last three years.

In 1989-90 pooling resulted in the Agency making payments to Alberta Power and the three cities, while Edmonton Power and TransAlta made payments to the Agency as shown in Table 5. The gross cost to the government for 1989-90 is shown in the last column of the table.

FIGURE 3
**Comparison of Utility Customer Mix**
(Breakdown of Energy sold to AEEMA)




*Source: Alberta Department of Energy*

TABLE 4

**Pooling Compensation to Cities Which Own In-Boundary Transmission Facilities**
(in millions of dollars rounded to one decimal point)

| | 1988 | 1989 | 1990 |
|---|---|---|---|
| Calgary | $ 28.0 | $ 27.1 | $ 28.0 |
| Lethbridge | $ 2.1 | $ 2.4 | $ 2.4 |
| Red Deer | $ 1.1 | $ 1.1 | $ 1.0 |

TABLE 5

**Alberta Electric Energy Marketing Agency**
**Transfer Payments To/From Utility Companies Including Reimbursement to the Cities**
For the Year Ended March 31, 1990

| | Alberta Power Ltd. | Edmonton Power | TransAlta Utilities | Cities | Total |
|---|---|---|---|---|---|
| April 1989 | $ 8 529 568 | $ (3 009 570) | $ (5 851 171) | $ 2 546 358 | $ 2 215 185 |
| May 1989 | 8 529 568 | (3 009 570) | (5 851 171) | 2 546 358 | 2 215 185 |
| June 1989 | 8 529 568 | (3 761 962) | (7 313 964) | 2 546 358 | 0 |
| July 1989 | 8 529 568 | (3 761 962) | (7 313 964) | 2 546 358 | 0 |
| August 1989 | 8 529 568 | (3 761 962) | (7 313 964) | 2 546 358 | 0 |
| September 1989 | 8 529 568 | (3 761 962) | (7 313 964) | 2 546 358 | 0 |
| October 1989 | 8 529 568 | (3 761 962) | (7 313 964) | 2 546 358 | 0 |
| November 1989 | 8 529 568 | (3 761 962) | (7 313 964) | 2 546 358 | 0 |
| December 1989 | 8 529 563 | (3 761 954) | (7 313 967) | 2 546 358 | 0 |
| January 1990 | 6 448 336 | (309 271) | (8 758 006) | 2 618 941 | 0 |
| February 1990 | 6 448 336 | (309 271) | (8 758 006) | 2 618 941 | 0 |
| March 1990 | 6 448 336 | (309 271) | (8 758 006) | 2 618 941 | 0 |
| TOTAL | $ 96 111 115 | $ (33 280 679) | $ (89 174 111) | $ 30 774 045 | $ 4 430 370[a] |

*[a] This total is a gross total. The net total is $2,857,714, which includes adjustments made for April to December 1987 further to PUB Order E88080 dated December 23, 1988, and adjustments made for January to March 1988 further to PUB Order E89115 dated December 29,1989.*

## Shielding

Since September 1982, funds from the General Revenue Fund of the province were made available to shield the utilities that are low-cost producers of electric power in Alberta. The availability of the extra revenue allowed the low-cost producer utilities to cushion their consumers from the slightly higher cost of electricity resulting from the cost pooling which takes place at the end of transmission (interface).

During this fiscal year, shielding was in place only for April and May 1989 and was at the 20 percent level. As shown in Table 6, the gross shielding payments for the period April 1, 1989, to March 31, 1990, totalled $4,430,370. However, the Agency has recovered $1,572,656 of this amount as a result of two PUB Orders adjusting previous Orders. While this program was originally designed to shield customers over a five-year period, it had been elongated after the legislation was amended in 1984-85, and extended in late 1988 and the early part of 1989. As of May 31, 1989, when the shielding program concluded, power rate increases were lower than expected, there was growth in power consumption, and large rate disparities had been reduced province-wide.

TABLE 6

**Alberta Electric Energy Marketing Agency Shielding to Utility Companies**
For the Year Ended March 31, 1990

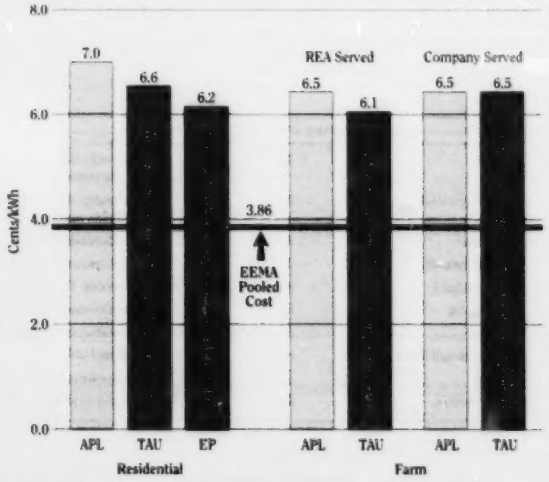
| | Alberta Power Ltd. | Edmonton Power | TransAlta Utilities | Total |
|---|---|---|---|---|
| April 1989 | $ 0 | $ 732 392 | $ 1 462 793 | $ 2 215 185 |
| May 1989 | 0 | 732 392 | 1 462 793 | 2 215 185 |
| June 1989 | 0 | 0 | 0 | 0 |
| July 1989 | 0 | 0 | 0 | 0 |
| August 1989 | 0 | 0 | 0 | 0 |
| September 1989 | 0 | 0 | 0 | 0 |
| October 1989 | 0 | 0 | 0 | 0 |
| November 1989 | 0 | 0 | 0 | 0 |
| December 1989 | 0 | 0 | 0 | 0 |
| January 1990 | 0 | 0 | 0 | 0 |
| February 1990 | 0 | 0 | 0 | 0 |
| March 1990 | 0 | 0 | 0 | 0 |
| TOTAL | $ 0 | $ 1 504 784 | $ 2 925 586 | $ 4 430 370[a] |

*[a] This total is a gross total. The net total is $2,857,714, which includes adjustments made for April to December 1987 further to PUB Order E88080 dated December 23, 1988, and adjustments made for January to March 1988 further to PUB Order E89115 dated December 29, 1989.*

## Summary

The Alberta Electric Energy Marketing Agency is to a large extent meeting its objective of reducing regional rate disparities. As illustrated in Figures 4 and 5, the rates for a kilowatt hour of electricity charged by the utilities in 1989 are within 1.6 cents or less of each other. The equalized (pooled) cost determined by the Agency is also shown. It is important to reiterate that the upstream costs (generation and transmission), which make up as much as 80 percent of the total operating costs for utilities, are the only costs taken into consideration in arriving at the "pooled cost out of AEEMA". The remaining 20 percent of the costs are related to distribution and to the revenue-to-cost rate design which each utility chooses to apply to specific customer groups. The inclusion of this aspect of utility operations in the pooling process would have a minimal effect on consumer rates.

FIGURE 4
**Comparisons of Average Residential/Farm Consumer Bills per kWh** Rates in effect March 31, 1990

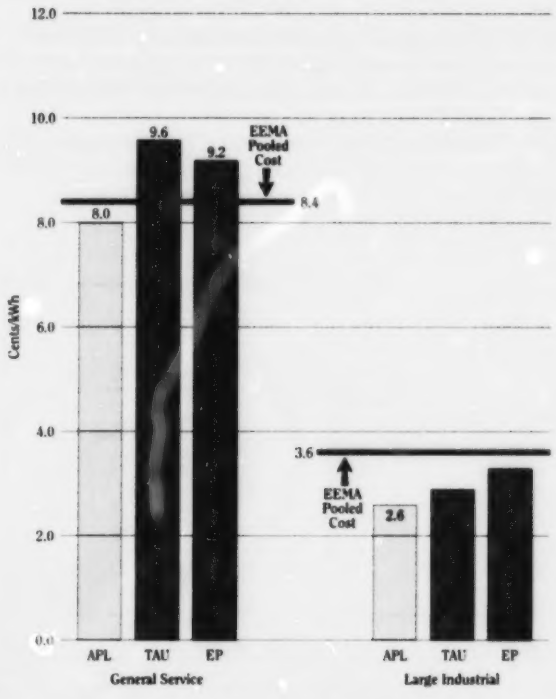



**Assumes Average Monthly Usage:** residential – 600 kWh
farm – 1400 kWh; 7.5 kVA

Note: Rates include temporary riders and income tax rebate.

*Source: Alberta Department of Energy*

FIGURE 5
**Comparisons of General Service and Large Industrial Consumer Rates**
Based on Rates effective March 31, 1990




Based on Monthly Usage: General Service – 10 kW Demand and 25% Load Factor
Large Industrial – 5000 kW Demand and 80% Load Factor

Notes: a) Rates include temporary riders and income tax rebate.
b) Average cost varies depending on demand and load.
c) The costs should not be considered as the average cost.

*Source: Alberta Department of Energy*

The rate differences that remain are no greater than in Canadian provinces with a nationalized single generation and transmission utility. Table 7 provides a Canada-wide comparison of a 600 kWh utility bill in 1989. There is a limitation on the figures in Table 7 as the costs per kWh vary within and among provinces depending on many factors. Various population densities, different consumer rate designs in use, source of power to generate the electricity, and many other factors have not been measured in terms of degree of impact each or a combination of them would have had on cost determination. Therefore, the monthly charges average for each province cannot be used to reflect accurately the monthly cost for 600 kWh of electricity used by any one consumer anywhere in Canada. The figures provide the average of the range of costs in each province, and in a broad sense show the differences in costs to the general consumer of 600 kWh of electricity per month among the provinces. The Yukon and Northwest Territories are not included, as both are in many ways atypical of other Canadian jurisdictions. Alberta was the second-lowest in 1989 with rates minimally above those paid by consumers in Quebec and 20 percent lower than rates in Ontario.

The shielding benefit program in effect since September 1982 concluded May 31, 1989. The amount spent from General Revenue for the period ending March 31, 1990, is shown in Table 8. From the onset, TransAlta Utilities customers have been shielded. As this utility supplies more than two-thirds of the province's electric energy requirements, it is able to effect economies of scale which keep customer costs down. Their customers therefore received shielding benefit against the slightly high costs to them caused by cost-pooling at the end of the transmission line (interface).

TABLE 7

**Canada-Wide Comparison of Residential Electric Bills**
For 600 kWh as of May 1, 1989[a]

| Province | Average (rounded)[b] | Comment |
|---|---|---|
| Alberta | $ 36 | Investor-owned utilities serve the majority of Albertans with the Cities of Edmonton and Medicine Hat residents served by utilities owned by the respective municipalities |
| British Columbia | 39 | Mix of ownership. B.C. Hydro is government-owned serving 90% of the population while Cominco Ltd. and its subsidiary West Kootenay Power and Light Co. who are investor-owned serve the remaining 10% |
| Manitoba | 40 | Government-owned (Crown corporation) |
| New Brunswick | 44 | Government-owned (Crown corporation) |
| Newfoundland | 46 | Mix of ownership. Newfoundland & Labrador Hydro is government-owned. Newfoundland Light and Power Co. is investor-owned |
| Nova Scotia | 51 | Government-owned (Crown corporation) |
| Ontario | 45 | Government-owned (Crown corporation) |
| Prince Edward Island | 62 | Investor-owned utility |
| Quebec | 35 | Government-owned (Crown corporation) |
| Saskatchewan | 44 | Government-owned (Crown corporation) |

[a] *Source: Alberta Department of Energy.*

[b] *See text for limitation on interpretation of these numbers.*

TABLE 8

**Provincial Shielding Payments**
1982 to March 31, 1990 by Calendar Year

| | Alberta Power Ltd. | Edmonton Power | TransAlta Utilities | Total |
|---|---|---|---|---|
| 1982 (Sept.-Dec.) | $ 0 | $ 0 | $ 34 611 109 | $ 34 611 109 |
| 1983 | 0 | 0 | 64 744 512 | 64 744 512 |
| 1984 | 0 | 8 773 078 | 26 052 987 | 34 826 065 |
| 1985 | 0 | 4 910 304 | 26 813 794 | 31 724 098 |
| 1986 | 0 | 18 866 022 | 16 552 000 | 35 418 022 |
| 1987 | 0 | 18 515 780 | 13 087 430 | 31 603 210 |
| 1988[a] | 0 | 12 043 241 | 12 436 254 | 24 479 495[b] |
| 1989 | 0 | 3 761 960 | 7 313 965 | 11 075 925 |
| 1990(Jan.-Mar.) | 0 | 0 | 0 | 0 |
| TOTAL | $ 0 | $ 66 870 385 | $ 201 612 051 | $ 268 482 436 |

*[a] Includes adjustment made for January to March 1988 further to PUB Order E89115 dated December 29, 1989.*

*[b] Includes increase in provincial shielding by $823,236 required further to PUB Order E89115 dated December 29, 1989.*

Through the application of the pooling mechanism, a measure of equalization of electric energy costs among service areas of the province has been achieved. The reported upstream costs must stand the prudency test applied by the Public Utilities Board when a general rate application is being heard by the PUB. In addition, public input before the PUB is provided and encouraged through the intervention process which provides for the kinds of checks and balances often lacking in a provincialized electric utility system. The mechanism of pooling, as opposed to provincialization, preserves the integrity of Alberta's system of investor- and municipal government-owned generating utilities.

Pooling resulted in the transfer of payments between utility companies and for compensation to cities that own transmission facilities (Tables 9 and 10). The pooling benefits for the period 1982 to 1990 accrued to Alberta Power Ltd. each year, whereas Edmonton Power and the cities benefited in certain years only. TransAlta Utilities Corporation was a contributing utility throughout.

TABLE 9

**Transfer Payments To/From Utility Companies Including Reimbursement to the Cities**
1982 to March 31, 1990 by Calendar Year (Net)

| | Alberta Power Ltd. | Edmonton Power | TransAlta Utilities | Cities[a] |
|---|---|---|---|---|
| 1982 (Sept.-Dec.) | $ 20 046 742 | $ 14 564 367 | $ 0 | $ 0 |
| 1983 | 56 562 811 | 12 399 191 | (4 217 490) | 0 |
| 1984 | 46 729 584 | (2 753 154) | (9 150 365) | 0 |
| 1985 | 26 562 308 | (3 273 540) | (17 875 870) | 26 311 200 |
| 1986[b] | 37 818 690 | (16 507 763) | (14 483 001) | 29 454 096 |
| 1987 | 64 158 175 | (37 031 562) | (26 174 859) | 30 651 456 |
| 1988[c] | 88 087 012 | (48 172 960) | (46 657 861) | 31 223 304 |
| 1989 | 102 354 811 | (41 381 576) | (80 453 606) | 30 556 296 |
| 1990 (Jan.-Mar.) | 19 345 008 | (927 813) | (26 274 018) | 7 856 823 |
| TOTAL Benefit/(Cost) Sept. 1982-Mar. 1990 | $ 461 665 141 | $ (123 084 810) | $ (225 287 070) | $ 156 053 175 |

*[a] Consistent with General Regulation effective January 1, 1985.*

*[b] Includes a one-time offsetting amount of $864,000 consequent to PUB Decision E86051.*

*[c] Includes adjustments made for January to March 1988 further to PUB Order E89115 dated December 29, 1989.*

TABLE 10

## Summary of Pooling Benefits

1982 to March 31, 1990 by Calendar Year

| | Alberta Power Ltd. | Edmonton Power | TransAlta Utilities | Cities | Total |
|---|---|---|---|---|---|
| 1982 (Sept.-Dec.) | $ 20 046 742 | $ 14 564 367 | $ 0 | $ 0 | $ 34 611 109 |
| 1983 | 56 562 811 | 12 399 191 | 0 | 0 | 68 962 002 |
| 1984 | 46 729 584 | 45 348 | 0 | 0 | 46 774 932 |
| 1985 | 26 562 308 | 0 | 0 | 26 311 200 | 52 873 508 |
| 1986 | 37 818 690 | 0 | 0 | 28 590 096 | 66 408 786 |
| 1987 | 64 158 175 | 0 | 0 | 30 651 456 | 94 809 631 |
| 1988[a] | 88 087 012 | 0 | 0 | 31 223 304 | 119 310 316 |
| 1989 | 102 354 811 | 0 | 0 | 30 556 296 | 132 911 107 |
| 1990 (Jan.-Mar.) | 19 345 008 | 0 | 0 | 7 856 823 | 27 201 831 |
| TOTAL | $ 461 665 141 | $ 27 008 906 | $ 0 | $ 155 189 175 | $ 643 863 222 |

*[a] The 1988 pooling benefits to Alberta Power Ltd. include adjustments made for January to March 1988 further to PUB Order E89115 dated December 29, 1989.*

ALBERTA LEGISLATURE
OFFICE OF THE AUDITOR GENERAL

## Auditor's Report

To the Minister of Energy

I have examined the balance sheet of the Alberta Electric Energy Marketing Agency as at March 31, 1990 and the statements of revenue and expenditure and capital surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Agency as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, as described in Note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

Donald D. Salmon

FCA
Auditor General

Edmonton, Alberta
May 4, 1990

## BALANCE SHEET

*As at March 31, 1990*

| | 1990 | 1989 |
|---|---|---|
| **ASSETS** | | |
| Current: | | |
| Cash | $ 24 457 | $ 836 653 |
| Accounts receivable (Note 5) | 500 | 6 718 440 |
| Prepaid expenses | — | 595 |
| | 24 957 | 7 555 688 |
| Fixed: | | |
| Equipment, at cost | 40 432 | 31 923 |
| | $ 65 389 | $ 7 587 611 |
| **LIABILITIES AND SURPLUS** | | |
| Current: | | |
| Accounts payable (Note 5) | $ 10 383 | $ 7 480 242 |
| Due to the Province of Alberta | 14 574 | 75 446 |
| | 24 957 | 7 555 688 |
| Capital surplus | 40 432 | 31 923 |
| | $ 65 389 | $ 7 587 611 |

*The accompanying notes are part of these financial statements.*

## STATEMENT OF REVENUE AND EXPENDITURE

*For the Year Ended March 31, 1990*

| | 1990 | 1989 |
|---|---|---|
| **REVENUE** | | |
| Sales of electric energy | $ 1 009 541 914 | $ 875 781 143 |
| **EXPENDITURE** | | |
| Purchases of electric energy | 1 009 541 914 | 875 781 143 |
| Shielding grants (Note 6) | 2 857 714 | 13 099 527 |
| Operating expenses, Schedule 1 | 340 870 | 320 343 |
| | 1 012 740 498 | 889 201 013 |
| Excess of expenditure over revenue | $ 3 198 584 | $ 13 419 870 |
| Contribution by the Province of Alberta | $ 3 198 584 | $ 13 419 870 |

## STATEMENT OF CAPITAL SURPLUS

*For the Year Ended March 31, 1990*

| | 1990 | 1989 |
|---|---|---|
| Balance at beginning of year | $ 31 923 | $ 29 552 |
| Add: Purchases of equipment | 8 509 | 2 371 |
| Balance at end of year | $ 40 432 | $ 31 923 |

## NOTES TO THE FINANCIAL STATEMENTS

*March 31, 1990*

### Note 1 Authority

The Alberta Electric Energy Marketing Agency operates under the authority of the Electric Energy Marketing Act, Chapter E-4.1, Statutes of Alberta 1981, as amended. Shielding grants are paid pursuant to the Department of Transportation and Utilities Act, Chapter D-30, Revised Statutes of Alberta 1980, as amended.

### Note 2 Significant Accounting Policies and Reporting Practices

(a) General:
These financial statements have been prepared in accordance with generally accepted accounting principles except that purchases of fixed assets are charged to operations in the year of acquisition. Notwithstanding this policy, however, the balance sheet also shows, for information purposes, the cumulative amount of such expenditures in respect of all fixed assets presently owned with a corresponding credit shown as capital surplus.

(b) Changes in Financial Position:
A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

### Note 3 Administration Costs

Office accommodation and certain other overhead costs incurred in the administration of the Agency have been borne by the General Revenue Fund and are not reflected in these financial statements.

### Note 4 Approval by the Public Utilities Board

The price at which electric energy is sold to the Alberta Electric Energy Marketing Agency is subject to Public Utilities Board approval. Any subsequent price adjustments by the Board, received by the Agency on or before December 31 in respect of a prior year, are reflected in the following calendar year.

### Note 5 Accounts Receivable/Payable

The adjustments to Utility Companies' transfer payments for January to March 1989 were processed after March 31, 1989 and were therefore included in accounts receivable and accounts payable.

### Note 6 Shielding Grants

The shielding grant program ceased effective May 31, 1989.

### Note 7 Comparative Figures

The 1989 comparative figures have been reclassified where necessary to conform to 1990 representation.

### Note 8 Approval of Financial Statements

These financial statements were approved by management.

SCHEDULE 1

## SCHEDULE OF OPERATING EXPENSES

*For the Year Ended March 31, 1990*

| | 1990 | 1989 |
|---|---|---|
| Salaries and wages | $ 261 828 | $ 246 094 |
| Employee benefits | 33 287 | 31 180 |
| Legal, consulting and business services | 17 961 | 17 579 |
| Travel and hospitality | 10 253 | 10 818 |
| Purchases of equipment | 8 509 | 2 371 |
| Equipment rental | 3 811 | 3 362 |
| Printing, stationery and supplies | 3 517 | 4 457 |
| Repairs and maintenance | 934 | 3 804 |
| Freight, postage and telephone | 770 | 678 |
| | $ 340 870 | $ 320 343 |